

THE BOND BUYER

Florida Wants to Use Municipal Bonds to Boost Private Space Firms

By

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Florida is ready to use the municipal bond market to achieve its goal of boosting the private space-launch industry.

Gov. Ron DeSantis signed legislation in late June enabling Space Florida, the state's aerospace economic development agency, to bypass approval from the governor and cabinet to issue revenue bonds for private companies pursuing capital projects.

The bill's sponsor, Sen. Tom Wright, R-New Smyrna Beach, said the law provides Space Florida with the same streamlined bonding process afforded to other governmental entities and will foster a more competitive marketplace for the state's space industry.



A SpaceX Crew Dragon rocket at Kennedy Space Center before its May 30 launch with two NASA astronauts. A new Florida law eases the path to sell municipal bonds for private space firms. NASA/Kim Shiflett

“Space Florida has done a tremendous job in attracting companies to our state,” Wright said in a statement. “From this bill’s passage, they will be able to conduct

business and save costs for all involved parties, while ensuring the state of Florida is not on the hook when it comes to issuing bonds.”

Dale Ketcham, Space Florida’s vice president of government and external relations, said that the recent growth of the commercial space industry will likely result in greater need for bond issuances to maintain infrastructure needs instead of utilizing bank loans. He said the bill is important because it makes clear that the state is not obligated to finance any of the agency’s revenue bonds.

“This legislation clarifies and simplifies the process for Space Florida to utilize its bonding authority to further grow the aerospace industrial capacity in Florida,” Ketcham said. “The financing tool kit of Space Florida is akin to a commercial enterprise as it is not backed by the full faith and credit of the State of Florida. This recent legislation removed potential ambiguity on that issue.”

Private firms are increasing their presence in a space launch business that had once been the sole domain of NASA.

Amazon founder Jeff Bezos' Blue Origin, headquartered in the Seattle area, has a manufacturing facility at Cape Canaveral, where it plans to launch its massive New Glenn orbital launch vehicle from NASA’s Kennedy Space Center.

SpaceX, the launch firm founded by Tesla's Elon Musk, uses Kennedy Space Center for many launches, including the May 30 Crew Dragon launch that lifted U.S. astronauts from U.S. soil for the first time since the final Space Shuttle flight in 2011.

Space Florida was created in 2006 when the Space Florida Act legislation consolidated three existing state space entities into one single organization. The predecessor agencies were the Florida Space Authority, Florida Space Research Institute and Florida Aerospace Finance Corporation.

Ketcham said Space Florida has mostly financed infrastructure projects around Cape Canaveral since its founding.

Space Florida also spearheaded an expansion of Northrop Grumman’s aircraft design center project at Orlando Melbourne International Airport. The agency is also providing financing of a planned new campus for Aeirion Supersonic in Melbourne.

The state suffered a blow in 2011 when around 9,000 jobs were lost after NASA’s shuttle program ended. Ketcham said with Space Florida’s backing the state has recouped those lost jobs and added more on top of it.

DeSantis is focusing on expanding Florida's aerospace economy as the state grapples with fiscal challenges posed by the COVID-19 pandemic. DeSantis signed a scaled down \$92.2 billion budget that included \$1 billion of spending cuts from a previous fiscal plan approved by the legislature on March 19 during the early stages of the health crisis.

Florida's revenue forecast fell \$1.45 billion from pre-COVID-19 estimates, according the state's latest monthly financial [report](#), released June 26, as a result of many businesses being forced to close in March and April. A recent spike in COVID-19 cases has caused new shutdowns throughout the state that analysts say will likely result in mid-year spending cuts.

S&P credit analyst Carol Spain said a further expansion of the space industry would help in Florida's ongoing goals to diversify the state's economy beyond tourism and hospitality. While the state doesn't levy personal income taxes, Spain said the sector would provide many ancillary economic benefits by adding high paying jobs that would result in increased sales tax collections.

Spain cautioned though that adding big aerospace companies will ultimately not have a "material impact" on state revenues in the near-term. She said municipalities that house the firms, such as Brevard County where Cape Canaveral is located, would likely see more of the revenue benefits.

"It would probably have more of a local impact than at the state level," Spain said. "It could attract more businesses to the area."

Florida general obligation bonds are rated triple-A by Moody's Investors Service, S&P Global Ratings and Fitch Ratings. Moody's upgraded the state's debt one notch to its highest mark in June 2018.

The bonding legislation became law as DeSantis lobbies for the permanent command headquarters of the new U.S. Space Force, which is temporarily housed in Colorado Springs, Colorado.

The Space Force was established as an independent military branch by President Trump last December after previously operating part of the Air Force since 1982.

Ketcham said that while the Space Florida legislation was not associated with the efforts to secure the Space Command, the bond option could play a central role in that process. He said the scope of a U.S. Space Command project would likely require use of the municipal bond market rather than private bank loans used for other Space Florida initiatives.

DeSantis sent a letter in early July to Air Force Assistant Secretary John Henderson backing eight Space Command headquarters proposals pitched by Jacksonville, Pensacola, Miami-Dade County, Brevard County, Orange County, Pinellas County, Seminole County and Hillsborough County. The Air Force is scheduled to determine finalists from more than 20 applications across the country in November and decide on a permanent headquarters early next year.

“Our state has a long history of support for our nation’s effort in space through the operations of the Kennedy Space Center, the 45th Space Wing at Patrick Air Force Base and Cape Canaveral Air Force Station,” DeSantis wrote in his letter. “These installations provide great support to our national defense and provide a significant economic impact to our state. Equally important as our military installations, is Florida’s robust commercial space industry.”

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